

Mayor David Anderson called the special council meeting of October 23, 2008 to order at 5:00 p.m. Present for the meeting were Mayor Anderson, Council President John Langs, Council Members Dave Sims, Connie Wells, and Dave Gray, Clerk Kris Larson, City Administrator Stephen Boorman, and John Saven from NRU.

The purpose of the special meeting was to discuss potential power supply sources and options to meet high water mark loads post October 1, 2011 with John Saven from NRU.

John Saven said in December of this year we must sign a contract with Bonneville Power Administration (BPA) for a 17 year period beginning 2011. In November, 2009 BPA will ask how we will serve our load growth and we must designate that for several years. The price will not be known in November, 2009 because the rate case establishing the price will not start until 2010 and we won't know the answer until 2011. The prices provided by NRU LLC will be compared to reliance with BPA but not knowing what the price is from BPA.

The amount of power above Tier 1 will not be significant at first but this will grow over time. Tier 2 power will be two to three times the cost of what we get from BPA. At the end of 17 years we do not have any ownership of the resources that BPA has obtained – we are like a renter. BPA will not subsidize any of the tier 2 load from tier 1. All customers that did not sign up with BPA for tier 2 will want the credit if there is one to go back to tier 1 product line. Stephen said the federal system is based on critical water assumptions. Critical water assumptions means the minimum power generated during a poor water year. BPA is faced with some constraints that NRU is not. Direct service industries (aluminum companies) will not affect tier 1 except for the amount pledged by BPA. Stephen said historically the public utilities have come out short when BPA deals with direct service industries.

John has no proprietary interests in the decision of choice between BPA or NRU. NRU is trying to come together and get attractive power for public utilities. Bonners Ferry is just a little bit above the high water mark but a revised forecast will be coming out in May, 2009 by BPA and this will be in place for three years and is called a transitional high water mark. In 2011 the rest of the high water mark will be based on 2010 actual loads and this will be in the contract. BPA will every two years do a forecast of the high water mark on a planning basis. Our obligation will be the flat amount of power in our contract but load shaping will also come into play. Most power is produced in summer periods but in the winter there is not as much power produced and John said the load shaping will benefit the summer high load customers. Much higher rates will be for high winter load customers due to the higher demand in the winter months. Load shaping will work to the disadvantage of high winter peaking customers due to higher prices by BPA in the winter months. If we lose a large customer we will get a credit based on market prices but if we get a large customer back we will be paying the market rates based on load shaping rather than the tier 1 rates. BPA has a general rule of thumb that if the load is less than one megawatt then the utility can ride on the tier 1 rates. The City of Bonners Ferry is just less than one megawatt due to the forecast.

Load following and transmission will still be done by BPA. NRU will hire an outside firm on a professional basis to track resources and manage them in a flat block. There are differences in the structure of NRU concerning the types of entities or groups that form the NRU. Different

entities will be grouped to work together. The charge will be based on the load placed on the organization. John spoke of different resources that may be available for port folios.

Audited financial statements will be required. John explained a bit about risk and credit worthiness.

John Langs asked what our legal obligation will be. Dave Sims asked if we would be obligated if someone else does not pay their share. There will be a load commitment agreement and we must pay for the power we sign up for. If we do not need all the power we have committed to and someone else needs more load then our excess can go to them. John Saven said if there is a payment or performance default there will be legal documents that will back this up and they will no longer be provided power. Stephen spoke of the Frazier case and ordinary and necessary expenses. Take or pay contracts are being reviewed by the Supreme Court according to Stephen.

John Saven reviewed a handout concerning the Administrative Services Cooperative (ASC). The City of Bonners Ferry would pay the ASC.

Dave Sims asked about vintage rates. John Saven drew a diagram on the white board regarding vintage rates, load growth, and renewables.

Tier 1 power is based on our historic loads up to the high water mark. A declared resource is a resource that we have and we want in our contract with BPA but if it under performs we will need to make up the difference in the contract. An undeclared resource is something that we don't have to tell BPA about but we are on the hook for the 17 year period and if our resource is not available then we have to find another. If we have a declared resource we need to go to BPA with it. With a declared resource shaping charges are established by BPA. Stephen said our hydro plant is a declared resource. John Langs asked if NRU went away in the process if we would lose our place in line with BPA for tier 2. John Saven said BPA has to sell us power but it would be at a greater price. Mayor Anderson said there are other resources available for tier 2 other than BPA or NRU and he asked what kind of projects have been done by NRU as to what resources are out there. John explained the projections of NRU by explaining handouts to the group. He said the NRU LLC is researching the issues but cannot guarantee that it will be best for the city.

Stephen said renewables are the big item and a large part of our generation is renewable. Relative price structures will be available in December according to John Saven. Stephen asked if we pledge our hydro as a renewable and the laws change and don't recognize our hydro as a renewable what will happen. John said a decision has not been made as to the terms of contracts and said it depends on the types of resources such as wind and gas.

Stephen said we are winter peaking load but we generate most in the summer and we may be penalized some due to this fact.

John said if we join the NRU pool we don't have to put any load on until we have reached over 1 megawatt of load. Decisions should be made by early March.

Council thanked John for attending our meeting.

There being no further business the meeting adjourned at 6:15 p.m.

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David K. Anderson, Mayor

Attest:

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Kris Larson, City Clerk